

## Influence of transnational economic alliances on the IFRS convergence decision in India—Institutional perspectives

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# **Influence of Transnational Economic Alliances on the IFRS Convergence Decision in India – Institutional Perspectives**

## **Highlights**

- Decision-making for IFRS convergence within nation states significantly influenced by traditional trade and economic alliances.
- Influences exerted through transnational policy networks between institutional fields
- Impact of influences determined by power balance between local and transnational actors embedded in different institutional fields.
- Indirect effect of US delays in IFRS convergence on India as a result of cross country economic ties.

## **Abstract**

This study contributes to the literature on global governance by highlighting the importance of not losing sight of the nation state as an important player in the transnational governance arena. Specifically, literature on global (accounting) regulation devotes a great deal of attention to the roles of organisations and agencies with transnational remit (such as global standard setters, donor agencies) while often downplaying the significant impacts of the more traditional cross- country links forged through economic relationships and resource dependencies between national and transnational institutional fields. This was specially noted in the case of the indirect influences of the US's decision to delay IFRS convergence. While being interpreted as an indirect source of influence, such a decision played a very significant role on the convergence negotiations in India. The study shows how the US influence was channelled through Japan with which India has significant trade and economic relations and, most importantly, holds a joint forum specifically to discuss convergence issues. The consequences of India's links with countries such as US and Japan in the decision-making process provide a vivid indication of the important roles of cross-governmental relationships in the global governance arena, and also question the position of transnational organisations as pervasive powers in such governance. The study's findings clearly demonstrate that the pursuit of full IFRS convergence strongly favoured by the transnational forces was invariably challenged in the Indian context by the influences of powerful nation states advocating a more cautious approach.

## **Key words**

IFRS convergence, decision-making, role of nation states, institutional fields, transnational networks, India, resource dependency.

## 1. Introduction

Regardless of severe criticisms on its international applicability, IFRS has been adopted fully or partially by approximately 120 countries (Sharma, Joshi & Kansal, 2017). Countries such as Japan, Singapore, Indonesia and Thailand are yet to finalise their convergence decisions. Although India committed itself to achieve IFRS convergence by 2011, the convergence decision-making process has been marked by much public political debate with the consequence that despite two further deadlines being announced by the state, the process had suffered severe delay. The official stance of the state in favour of convergence had been contradicted in practice by repeated failures to translate this policy into action. This paper aims to explore the influence of India's trade and economic alliances in delaying its convergence decision. The study uses concepts of transnational policy networks, resource dependencies and institutional theory to analyse this context.

Analysing the convergence decisions of countries undertaking accounting reforms in the light of significant trade and economic alliances, especially with powerful countries such as the US and Japan, reveals additional dynamics of divergence between rationales and reasons cited by nation-states in making such decisions (Ramanna & Sletten, 2009). Such analysis adds to our understanding of the relationship between power, resource dependency and institutional forces that shape the accounting regulatory arena (Crawford, Ferguson, Helliard & Power, 2014; Bengtsson, 2011). The significance of trade and economic alliances in shaping convergence decisions have been previously explored in developed countries such as Australia, New Zealand, European Union (EU) and Canada (Nobes & Parker, 2010; Zeff & Nobes, 2010; Ramanna, 2012; Andersson, Haslam, Tsitsianis, Katechos, & Hoinaru, 2016). However, studies exploring the influences of such alliances in shaping convergence decisions in developing countries are limited (Mir & Rahman, 2005). Since a large number of countries that have converged with IFRS are developing countries (IFRS, 2017), exploring the role of these influences on convergence decisions in these countries would add to our understanding of the on-going accounting convergence drive and the different outcomes of such convergence (Weaver & Woods, 2015; Ghio & Verona, 2015; Sharma, Joshi & Kansal, 2017).

India is one of the largest developing economies in the world; sixth largest in terms of nominal Gross Domestic Product (GDP) and third largest in terms of purchasing power parity (World Bank, 2017). Recently the World Bank (WB) ranked India as the fastest growing economy in the world (World Bank, 2017). Having been classified as a major Newly Industrialised Country<sup>1</sup> (NIC) by the International Monetary Fund (IMF) and reported to be a transition economy by the WB (World Bank, 2013), the Indian socio-political and economic context often displays characteristics of both developed and developing countries (Boddin, 2016). Hence the findings of this paper are relevant to not just developing countries but could also be applicable to some extent in the context of developed countries. The decision-making process for IFRS convergence in India commenced with the state setting a deadline of 2011 to achieve convergence. This deadline was not met and

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<sup>1</sup> The term NIC is used for developing countries that have surpassed most other developing countries in economic growth but have not yet achieved the status of a developed country.

during the course of the next 5 years, two other deadlines of 2013 and 2015 were set which were also not met (Seth, 2016). A reliable news daily reported that Indian companies have started to implement the IFRS converged Indian accounting standards (Ind AS) from June 2016 onwards (Seth, 2016). The latest update on IFRS website<sup>2</sup>, regarding the convergence process in India as of July 2018, indicates that India has adopted the ‘substantially converged’ Ind AS and not officially adopted IFRS.

The discrepancy between rhetorical policy and practice in India was to some extent explained by local resistance to immediate convergence mostly manifested in the form of industrial lobbying due to legislative and taxation issues. However, the role of transnational influences in the process remains to be fully explored. Research has shown how donor agencies and international financial institutions (IFIs) coercively seek to bring about standardisation, especially in developing countries. Literature suggests that substantial financial dependence on foreign aid from IFIs such as the WB implies that the state was no longer the sole orchestrator of reform policies (Adhikari & Mellemvik, 2010). Financial dependence on IFIs meant that accountability, in terms of efficient use of resources, played an important role in donor-recipient relationships, to the extent that most developing countries were not left with much choice (Adhikari & Mellemvik, 2010; Mantzari, Sigalas & Hines, 2017; Irvine, 2008; Neu, Ocampo, Garica & Zepeda, 2002; Mir & Rahman, 2005).

In addition to the role of IFI’s, extant literature also provides some insights into issues such as the role of mimetic influences on countries in order to appear legitimate and comparable to ‘world leaders’ (Touren, 2005, pp. 886), socio-political influences on the development and convergence of IFRS (Chua & Taylor, 2008) and the role of multiple socio-cultural and geo-political factors such as religion and colonial history (Rodrigues & Craig, 2007). Specifically, institutional perspectives such as decoupling have been used to analyse issues such as symbolic versus substantial adoption of IFRS (Rodrigues & Craig, 2007) as well as normative and mimetic sources of influences on convergence decisions such as auditors and industry counterparts of companies (Touren, 2005). These studies challenge the economic rationales cited by supporters of IFRS convergence and highlight the significant role of multiple actors such as regulatory authorities and MNCs in shaping the drive for convergence. They provide a strong analytical premise through different forms of institutional frameworks which could be applied to analyse significant geo-political alliances between nation-states. This study contributes to extant literature by identifying transnational influences through regional and trade alliances and analysing the role played by such influences in counter-balancing influences from IFIs and other transnational forums promoting convergence.

Extant literature on the role of transnational influences channelled through traditional cross-country relations mainly focuses on developed countries such as Australia, New Zealand, UK, US and Europe (Nobes & Parker, 2010; Nobes, 2013; Hail, Luez & Wysocki, 2010; Zeff & Nobes, 2010). These studies while providing useful insights into the effect of such relations on accounting standards and practices, do not fully explore the decision-making process through which the

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<sup>2</sup> <http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/india/>

influence of such cross-country trade and economic relations are translated into financial reporting decisions, especially in developing countries (Humphrey & Samsonova-Taddei, 2015). They do, however, discuss a wide variety of sources of influence on financial reporting practices such as inter-dependence between countries through political and economic relations, the role of state and mutual influences on legal systems (Nobes & Parker, 2010). However, these influences would differ in the way they manifest themselves in the context of IFRS convergence in developing countries (Samsonova, 2009; Ding, Jeanjean & Stolowy, 2007). Insights into the manifestations of these issues as carriers of cross-country trade and economic relations in developing countries as part of a wider transnational policy network would provide deeper insights into the International Accounting Standard Board's (IASB) ongoing convergence movement.

Extant literature on convergence rarely answers questions such as 'how do the geopolitical trade and economic alliances between countries shape the national decision for IFRS convergence? One exception to this is a study conducted by Ramanna & Sletten, (2014) who found that trade and economic ties do play an important role in convergence decisions. The authors note,

Consistent with the presence of network effects in IFRS adoption, we find that a country is more likely to adopt IFRS if its trade partners or countries within in its geographical region are IFRS adopters (pp. 2).

The authors further highlight the need for studies that analyse the significance of trade and economic alliances on convergence decisions as necessary to comprehend the varying outcomes of IASB's convergence drive.

Analysis of the influence of such alliances on the decision-making process in this study is informed by an institutional analytical perspective focusing on the role of institutional fields that occupy and operate in the regulatory decision-making arena (Crawford et al., 2014; Arnold, 2005). Institutional fields have been considered appropriate platforms of analysis to explore the struggles and negotiations that occur between actors in a regulatory decision-making arena (Arnold, 2005). Djelic & Sahlin (2009) further emphasise the role of institutional forces in shaping power relations between actors involved in decision-making in accounting regulatory arenas. In this context, few studies call for 'sophisticated conceptions of power' (Crawford et al., 2014, pp.305) and highlight the need to refrain from analysing power relations between institutional fields through a pluralistic perspective based on success achieved by actors in influencing the decision (Cooper & Robson, 2006; Crawford et al., 2014). Furnari (2016) while discussing institutional changes makes the following observation,

The vast majority of institutional studies have analyzed instances of institutional change within a single institutional field, devoting less systematic attention to the issue of how institutional change occurs between multiple institutional fields (pp.553).

This paper draws on extant literature to analyse the influence of trade and economic ties channelled through multiple institutional fields between nation states on power dynamics in the accounting regulatory arena. It uses concepts of resource dependency and exchanges to analyse these power dynamics in the accounting regulatory arena.

The study contributes to the global governance scholarship by highlighting the importance of not losing sight of the nation state as an important player in the transnational governance arena. Specifically, literature on global (accounting) regulation devotes a great deal of attention to the roles of organisations and agencies with transnational remit (such as global standard setters, donor agencies) while often downplaying the significant impacts of the more traditional cross- country links forged through economic relationships and resource dependencies. This was specially noted in the case of the indirect influences of the US's decision to delay IFRS convergence. Unraveling the means through which US's decision affected India's move towards convergence makes a significant contribution to our understanding of accounting policy decisions and its links to state policies on transnational economic alliances. It adds to literature addressing policy makers in accounting profession as well as state institutions that lead decision-making processes for convergence. While being interpreted as an indirect source of influence, such a decision played a very significant role on the convergence negotiations in India. The study shows how the US influence was channelled through Japan with which India has significant trade and economic relations and, most importantly, holds a joint forum specifically to discuss convergence issues. These negotiations were driven by policy makers operating from multiple institutional fields representing the accounting practice, the state, regulatory authorities and industry. Analysing these interactions and their impact on the decision-making process for convergence has provided insights into policy-making in accounting standardisation, evolution of national accounting practices as a result of institutional influences of geo-political alliances and contributes to scholarship on issues surrounding accounting convergence.

The consequences of India's links with countries such as US and Japan in the decision-making process provide a vivid indication of the important roles of cross-governmental relationships in the global governance arena, and also question the position of transnational organisations as pervasive powers in such governance. The study's findings clearly demonstrate that the pursuit of full IFRS convergence strongly favoured by the transnational forces was invariably challenged in the Indian context by the influences of powerful nation states advocating a more cautious approach. It emphasizes that the representation of the accounting standardisation drive as an independent and neutral power that harmonises accounting practices fails to convey the increasing influence of powerful nation states and the effect of geo-political alliances on the decision-making processes of convergence across the globe. While contributing to literature on decision-making on IFRS convergence, the findings of the study also address policy makers in standard setting organisations such as IASB as well as policy makers in accounting within developing countries.

## **2. Notion of IFRS Convergence in India – Background**

In 1991 the government of India introduced several economic reforms in response to severe balance of payments crisis. Free market principles were adopted to attract international trade and create an open economy. This led to considerable dilution of state control over the economy leading to an increase in Foreign Direct Investments (FDIs). Over subsequent years the Indian economy witnessed a stable growth in the FDIs which led to investor demands for financial statements prepared according to IFRS. These investors were supported in their demands by some

Indian companies that were either entering into joint ventures with foreign companies or purchasing them. In 2007, the state and the Institute of Chartered Accountants of India (ICAI) in response to these demands, made an announcement of IFRS convergence by 2011 (Jain, 2011).

The ICAI initially supported full adoption but due to industrial lobbying decided along with the state to alter its stance to convergence with differences (CG2). A member from industry and professional bodies who was a participant in decision-making groups stated,

“The professional bodies in India were very interested in complete adoption of IFRS.... initially they virtually copied everything from IFRS. However, the industrial sector was seriously hit by IFRIC 15 that had a very different accounting treatment for real estate companies.... IFRIC 12 also affected many projects such as road transport projects, airport projects etc. through implications on direct and indirect taxes...so they objected...” (CG2).

In its concept paper, the ICAI attempts to justify the differences between national accounting standards and IFRS by providing the following definition of convergence:

“to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs” (p.12).

Despite significant carve-outs in newly framed Ind AS, the ICAI has been quite vocal in its claims of substantial convergence with the IFRS. Through its concept paper the ICAI identifies and discusses the key issues that shaped the decision to ‘not adopt’ IFRS mainly due to locally embedded aspects (Kantayya, 2016; ICAI, 2015). These issues include:

- a) Maintaining consistence with legal and regulatory requirements - Some examples of national accounting standards which are formulated to suit the legal requirements are AS 21 Consolidated Financial Statements, AS 25 Interim Financial Reporting and AS 31 Financial Instruments. In the case of AS 21, the definition of ‘control’ is based on requirements of Companies Act 1956 and hence is different from the definition provided in IAS 27 Consolidated and Separate Financial Statements. Similar differences based on legal requirements have been cited as examples in the case of the other two accounting standards as well (ICAI Concept Paper, 2007).
- b) Economic factors related to the use of fair value - The key issue discussed under economic factors is the use of fair value approach by IFRS. The concept paper states that the markets in India do not possess the necessary dimensions to arrive at reliable fair values for various assets and liabilities (ICAI Concept Paper, 2007). This point has been validated by one of the interviewees from the industry:

“There is a dire need for developing professional elite services such as valuation. There should be valuation standards in India without which there will be no uniformity in the reports presented and fair value system will be a failure” (IB5).

This indicated that the ICAI and the industry were all of the opinion that India was not prepared to successfully implement the fair value system.

- c) Inadequate level of preparedness of industry and conceptual differences such as requirement to create provisions at an early stage under IAS 37<sup>3</sup> (ICAI, 2007).

The decision-making process for IFRS convergence in India has been particularly intriguing due to controversial debates surrounding the issue as well as repeated failures to meet targets of roadmaps and deadlines etched out by the state and the ICAI. The enthusiasm for IFRS convergence displayed by the state and the ICAI at global forums was not translated into actual progress. The country was not able to meet the first deadline of 2011. The date set for convergence passed without any explanations or public notifications of delay. In 2012, an emphatic reiteration of the state's intent to converge with IFRS by 2013 was conveyed through a statement made by the Minister for Corporate Affairs & Power at a seminar,

“.....we are determined to ensure that IFRS is implemented by April 1, 2013,” (Srivats, 2012).

Nevertheless, this second deadline was also evaded without any public announcements or explanations. Following the second deadline, the ICAI prepared a new roadmap for convergence in 2013 which proposed the implementation of Ind AS by listed and unlisted companies worth more than US\$ 78515755 (approx.) starting from 1<sup>st</sup> April 2016. The roadmap proposed a deadline of 1<sup>st</sup> April 2018 for insurance, banking and non-banking finance companies (MCA, 2015).

Debating the decision is not unusual amongst countries moving towards convergence. However, it is unusual for a country to repeatedly announce convergence deadlines followed by long periods of delays shrouded in mysterious silence from the state. It was found that industrial lobbying was a key local factor that led to the delays. Tax issues that could be addressed only through legislative amendments by the state formed the central theme of industry resistance. It should also be noted here that differences in the opinions of the ICAI and the IASB on issues discussed in the concept paper, mainly arising due to differences in the legal and economic environment of the country also acted as a significant channel of resistance to immediate convergence with IFRS (Kantayya, 2016; ICAI, 2015).

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<sup>3</sup> The recognition of provision has been pointed as a difference using the examples of AS 29 and IAS 37 Constructive Obligation. The requirements of IAS 37 stipulate the creation of provision on the basis of constructive obligation which would result in the recognition of provision at an early stage. The concept paper cites an example of restructuring of an enterprise where an early recognition of a provision would not be appropriate since a liability cannot be stated to be crystallised at such an early stage. The discussion of such conceptual differences in the paper reflects differences in the opinion of the ICAI with regard to the timing of recognising the provision and also the judgement of related determining factors.



Nonetheless, a deeper analysis of the Indian context suggests that transnational influences may have also existed in the form of regional and global trade alliances. Exploring the role of such alliances in causing repeated delays would contribute to a greater understanding of the nuances that shape national convergence decisions and the effect this has on associated countries and global standard setters.

### **3. Theoretical Framework**

This paper follows the theoretical strategy of broadly defining transnational policy networks and resource dependency in an attempt to capture as much of the institutional role of these networks and resource relations, as possible.

#### ***3.1 Transnational Policy Networks: Institutional Fields of Regulatory Decision-Making***

Institutional dynamics of transnational regulatory networks and collaborations have been researched through multiple perspectives (Djelic & Sahlin-Andersson, 2006; Djelic & Quack, 2010; Philips, Lawrence & Hardy, 2000). Transnational policy networks that drive regulatory decision-making processes are comprised of a variety of actors, both individual and institutional. However, a transnational network is not a formal construction, that is, the actors do not come together formally for the purpose of forming a network. These actors converge around a common issue regarding which a decision is being made (Hood, Baldwin & Rothstein, 2001; Suddaby, Cooper & Greenwood, 2007) while at the same time often having divergent views and opinions. So converging around particular policy issues provides such actors with opportunities to influence how such issues become eventually resolved. Hence, the motivation that drives these actors to interact with each other is to collectively exert influence on the decision. To influence a decision, actors often join forces and establish relations with other actors who favour similar policy opinions (Djelic & Sahlin-Andersson, 2006; Samsonova, 2009; Djelic & Quack, 2010; Risse-Kappen, 1995). However, it would be misleading to think of transnational networks as homogenous environments. Difference of opinion between network participants is common.

Affiliations to multiple institutional fields could be one of the reasons for such variances in opinions and interests of actors in transnational policy networks (Philips et.al. 2000; Risse-Kappen; 1995). An institutional field is defined as a social arena of actors belonging to a common institutionalised environment characterised by the dissemination, production and reproduction of institutional rules and resources (DiMaggio & Powell, 1983; Philips et.al. 2000). Actors converging around a policy decision in a transnational network predominantly draw upon ideas and priorities institutionalised in their domestic institutional fields (Meyer & Rowan, 1991; Philips et.al. 2000). Institutional fields of powerful countries in a transnational policy network appear to be more influential in terms of determining the outcome of discussions that take place in such networks (Hardy & Philips, 1998). The ongoing negotiations in decision-making often influences the institutional fields of less powerful nation-states in the network. Thus the decision-making process within transnational policy networks are influenced by national institutional fields and vice-versa.

In the context of accounting regulatory decisions made by nation-states, some dominant institutional fields exist in the forms of domestic structures constituted of the state, society and polity (Risse-Kappen, 1991). Risse-Kappen (1995) while analysing the impact of transnational networks on foreign policies of the state, emphasised the significant role played by domestic structures. Differences in the domestic structure, that is, organisational interlinkages between the state, the society and the polity, have been stated to create variations in the impact of transnational actors (Meyer, 1990; Rochon, 1988).

Institutional fields prevalent in a country could determine the accessibility of the national political system to transnational actors such as IFIs and the requirements for effective coalitions between actors to enable the successful exertion of influence on national decisions (Risse-Kappen, 1991; Katzenstein, 1976). This implies that the ability of transnational actors to access the national political system of a country could depend on the position of the state vis-a-vis other non-state actors in the country. An example of the significance of domestic institutional fields could be the differences in the decision-making process for IFRS convergence in India and Bangladesh (Ramanna, 2012). The contrasting policy impact of transnational actors in the two countries is reflected through the quick and non-controversial decision made by Bangladesh to go ahead with convergence under pressure from the WB (Mir & Rahman, 2005) while India had been going through controversial delays and debates in the decision-making process despite pressure from transnational actors (Srivats, 2012). This however, does not imply that India is absolutely independent of IFI's. India's resource dependencies on IFI's are balanced by similar if not equally consequential resource dependencies on local non-state actors as well as other transnational regional actors whose stance on the convergence decision was different from that of the IFIs.

### ***3.2 Resource dependencies between institutional fields: Channels of power***

Decision-making shaped through power disparities arising out of resource dependencies between actors embedded in different institutional fields has been widely discussed in theoretical literature (Guo & Acar, 2005; Burt, 1983; Pfeffer & Salanick, 1978; Friedkin, 1986; Nolke, 2003; Risse, 2005; Djelic & Quack, 2010). Casciaro & Piskorski (2005) explored resource dependencies by incorporating the theoretical constructs of power imbalance and mutual dependence to the existing resource dependency theory in the context of inter-organisational dependence and relations. These ideas when combined with different levels of institutional influences on decision-making processes help examine transnational networks in the context of accounting regulation. Louma & Goodstein (1999) examine institutional influences on decision-making processes at three levels or fields: a) society including legislative influences b) industry level c) organisational level. In the context of this study, this framework is adapted and integrated with resource dependency ideas to explore domestic and transnational institutional fields that characterise the society, polity and trading and economic networks. This helps visualise the transnational policy network for convergence decision-making process as a network constituted of several institutional fields that are interrelated to each other through resource dependencies and exchanges. Differences in resource capacities of these institutional fields lead to power disparities (Philips et.al. 2000).

While extant literature on transnational regulatory regimes do focus on unequal power dynamics of actors in transnational policy networks (Djelic & Sahlin-Andersson, 2006; Mir & Rahman, 2005; Ramanna, 2012), such power inequities in

the accounting regulatory context have not been widely researched through resource dependency perspectives (Casciori & Piskorski, 2005). Philips et.al (2000) notes that power dynamics define the significant role played by rule and resources of different institutional fields of actors in shaping decision-making processes on policies. Powerful actors belonging to resource rich institutional fields involved in transnational decision-making processes are able to favourably influence other participants in the network (Hardy & Philips, 1998). This paper focuses on exploring the role of resource dependencies or exchanges between institutional fields as channels of power in transnational regulatory network.

Power imbalance between two actors is determined by the extent of mutual dependence between their respective institutional fields (Casciaro & Piskorski, 2005; Guo & Acar, 2005; Philips et.al. 2005). This implies that the power equation between these actors or institutions would alter if there is a change in the mutual dependence over the course of time. It has often been observed that long- term alliances or relationships between national and global actors do change with changes in resource capacities of the socio-economic and political institutional fields of nation-states. For example, the donor-recipient relationship between India and the WB over the last two decades has witnessed a significant change with India graduating fully from WB's International Development Association (IDA) assistance programme<sup>4</sup> (IDA, 2016). This change in the extent of resource dependence could determine the extent of influence that the WB could exert on national decisions. While the powerful IFI was able to exert direct and dominating influence on the national accounting decision of relatively more financially dependent country such as Bangladesh (Mir & Rahman, 2005), it may not be possible for WB to exert similar influence in India due to the changing socio-economic developments which have altered the power equation between the two actors. It is important to examine these features while studying the decision- making process for convergence as they help to explain the source of influences on the decision and also explain the reasons for power imbalance between actors in the transnational arena (Risse- Kappen, 1995; Nolke, 2003).

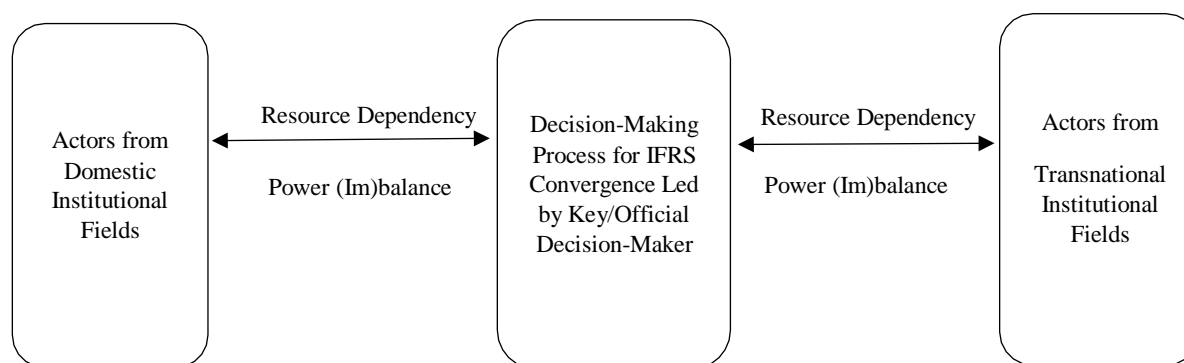
Since transnational networks facilitate group decision-making processes across national and transnational institutional fields (Nolke, 2003; Risse, 2005), these networks are often characterised by power disparities (Haslam, Tsitsianis, Andersson & Yin, 2013). Two features of transnational policy networks that act as sources of power disparities in the decision-making arena are resource dependencies in relation to transnational agencies, and state/domestic institutional structures (Djelic & Quack, 2010; Nolke, 2003). The exchange of resources in transnational policy networks takes place through national and international institutions. These resources could be financial resources, information resources or technical aid for implementation of projects (Scholte, 2000; Keohane & Nye, 1989).

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<sup>4</sup> The IDA provides financial assistance to the world's poorest countries. Countries graduating from IDA are those that have made significant developments in terms of per capita income, creditworthiness, economic and political progress and no longer receive substantial funds under this scheme (IDA, 2016).

Specifically, these features revolve around the donor-recipient relationship that exists between actors from different institutional fields in the decision-making arena. Resource dependencies between national and international institutions affect the on-going negotiations for terms of finalising the decision.

This is because recipient actors are dependent on donor actors for resources and this places the latter in a relatively powerful position (Webb, 1991; Cooper, 1968). Such a relationship acquires significance due to its power dimension and has a significant impact on the decision-making process (Garret & Lange, 1995; Haggard & Maxfield, 1996). And it is these institutions that determine the political influence on the process. Hence resource interdependencies across institutional fields and distribution of political capacities among the actors also create power disparities that allows some actors to exert greater influence and significantly affect the decision-making process. Figure 1 presents a framework that combines the concepts of transnational policy networks constituted of actors from various institutional fields, resource dependencies and power disparities.



**Figure 1 Interconnected Institutional Fields of Transnational Regulatory Networks**

While the role of power in financial reporting decisions made by companies has been explored (Mantzari et al, 2017), power disparities as sources of institutional influences on actors making financial reporting decisions within countries have not been as extensively researched. Often actors who succeed in exerting a greater extent of influence are those who occupy powerful positions within the socio-economic and political institutional fields of the decision-making arena. (Krasner, 1995). Another important aspect is that the relatively less powerful actors do not concede easily to the influences of the more powerful actors; they respond to these influences and attempt to negotiate terms with other actors. It is interesting to contemplate on the reasons that lead certain communications to facilitate a desired change in policy in certain cases, but not in others. The different levels of social significance attached to different actors involved in the decision-making process could be cited as one of the reasons why all the actors do not enjoy the same level of power (Covaleski, Dirsmith & Rittenberg, 2003; Caramanis, 1996). In the standard-setting context of several countries, actors wielding greater power, such as corporate lobbyists, not only voice their opinions but are also successful in

getting their views translated into action (Georgiou, 2004). Since accounting regulation in the national context has often been observed to undergo a group decision-making process and has also been stated to have political and social characteristics (Ding et al, 2007; Fearnley & Hines, 2003), it becomes necessary to study the power perspective to gain a clear understanding of the decision-making process of national standard-setting and the rationale that drives the same.

Thus the accounting regulatory sphere within the national decision-making context involves significant power plays across multiple institutional fields at both the national and transnational level, which strongly influences the actual implementation process (Mantzari et al, 2017).

#### **4. Research Methods**

Empirical evidence for this study was collected through interviews and analysis of archival data pertaining to a period of 8 years from 2005-2014. Significant information was gathered from discussions with 25 key actors involved in the decision-making process through interviews. Target groups and accessibility were the two main criteria that were used to finalise the list of interviewees.

The process of data collection commenced with the mapping of key actors involved in the decision-making process. Identification of these actors was based on information gathered from personal contacts and secondary sources. Three members from industry who were also involved in public-private projects were personal contacts of the researcher. Being a part of public-private projects gave them access to senior government officials. At first, the researcher contacted these three members of industry via telephone and e-mails. Information provided by these contacts in addition to review of information available from online documentary sources such as reports of government organisations and professional bodies helped the researcher to further identify target groups. These target groups included members of professional bodies, IFIs and members of the core decision-making team for convergence led by the state. Contact with target interviewees was established through introductions provided by the first three interviewees.

In conducting semi-structured interviews, the researcher prepared an interview guide based on a list of themes identified from extensive literature review and theoretical concepts such as institutional fields, transnational and local actors, types of resources and policy networks. The interview guide included questions that were drawn from these themes and secondary data collected as part of background study for interviews; though some questions were reordered or skipped as deemed appropriate in the given interview context (Saunders, Thornhill & Lewis, 2012). Open-ended questions were drafted so as to encourage varying levels and ranges of responses from the interviewees (Gillham, 2005). These questions were designed to draw out the experiences and stories in the interviewee's own words, at his/her own speed and order (McCracken, 1988). However, 'planned prompts' were used in cases where the interview appeared to get stalled on a single issue or when the information being provided by interviewees was beyond the scope of this study. These interviews facilitated the discovery of sufficient details of the interviewee's story within a reasonable timeframe.

Interviews conducted were mainly face-to-face but some interviews were conducted over telephone and Skype. Permission to record interviews was sought and all except senior government officials agreed to this request. Senior government officials cited regulations as the reason for not permitting to record the interviews. Data collected during discussions with these officials were manually transcribed soon after the interviews.

A total of 6 interviews were conducted during the first round of interviews in July 2012. These included interviews with members of the ICAI and industrial associations. The second round of interviews in April 2013 included discussions with 10 actors directly or indirectly with the decision-making process. All except one of these interviews were conducted with members of the government including 4 representatives of the Ministry of Corporate Affairs (MCA) and 5 representatives of the Ministry of Finance (MoF). Several of these interviewees were re-contacted via telephone in May 2014 to corroborate information collected from documentary evidence as well as for new updates in the decision-making process. This also helped to bridge gaps that came up during analysis of data collected from the first and second rounds of interviews. The interviews used in this study as sources of information came from a cross-section of key actors of the decision-making arena occupying senior roles in the hierarchy of the organisations they represented. Table 1 presents a brief introduction to the participatory roles of interviewees as well as codes used to identify the interviewees.

**Table 1 Identification/ Participatory Details of Interviewees**

Identification Code	Actors/ Institutions	Brief description of Role / Participation
1. CG	Core Group	Group constituted of key decision-makers directly involved in the process – these included members from government, industry, accounting and auditing bodies.
2. MCA	Ministry of Corporate Affairs	Key government organisation leading the decision-making process.
3. MoF	Ministry of Finance	Government body involved in the decision-making process.
4. PB	Professional Body	Members of professional accounting bodies such as the ICAI and the Institute of Cost Accountants of India. All of these members belonged to accounting bodies.
5. IB	Industrial Body	Members of industrial associations such as FICCI and CII as well as senior and middle level employees at corporate entities.
6. WB	World Bank	Regional representative of the World Bank operating in India.

The length of interviews and codes assigned to interviewees are provided in the appendix.

#### **4.1 Documentary Analysis**

A wide variety of documents were used to collect information as also to substantiate data gathered from interviews as shown in Table 2. A classification of the types and numbers of documents used in this study are presented in Appendix 2.



**Table 2 Documentary Analysis**

Types of Documents	Details of Analysis
Press Releases/reports/articles	<p>Significant media articles on accounting convergence were identified based on an online search using the key words such as 'IFRS convergence in India'. Review of shortlisted articles helped to trace few key actors such as the relevant government officials leading the process and the existence of debates and delays in the convergence decision-making process. Details obtained from these articles such as names of personnel and ministries involved in decision-making along with information derived from organisational reports of professional bodies, government agencies and regulatory agencies was used to establish contacts and trace other key actors for example, representatives of concerned government ministries, the industry and standard-setting bodies in the decision-making process.</p> <p>Review of online media sources also included 62 press releases made by key government agencies and 45 press releases by national standard setting authorities. These sources helped to fill in several gaps in the information obtained from newspaper articles and often indicated some significant decisions or announcements made by the government and national standard setting bodies. This also assisted in preparing interview questions regarding the different events/interactions published in these materials.</p>
Organisational Documents and Reports	Organisational documents and reports were used to gather information regarding several key events such as international conferences and programmes run by international financial institutions that triggered the decision-making process, subsequent high level meetings organised by the state and seminars organised by the state, professional accounting bodies and industrial associations. These documents and reports were published by national and international organisations which organised the events or had participated in the proceedings
Websites of Organisations	A wide range of information sources were obtained from the websites of various organisations such as state agencies, professional accounting bodies national and transnational regulatory bodies and international financial institutions involved in the decision-making process. These included speeches made by senior government officials at significant events, annual messages of presidents of professional accounting bodies, joint memorandum notices issued by national and transnational actors of state and non-state categories.

A detailed comparative review of the various documentary sources discussed in Table 2 to confirm the accuracy of timelines for construction of events. For example, details regarding an event on convergence decision-making process published in newspapers were corroborated by collecting and reviewing documents obtained from the websites of actors/institutions mentioned in the newspaper. This information was further validated by interviewing concerned members of the said institution or organisation. Extensive documentary analysis had supplemented information gathered through interviews and in several cases documentary evidence was the main source of information in this study.

#### ***4.2 Data Analysis***

The data collected was analysed and interpreted to examine the influence of trade and economic alliances on India's decision to converge with IFRS. The decision-making process was studied through an analysis of key events or milestones that occurred in India regarding IFRS convergence. The events were then streamlined on a timeline to enable a greater understanding of the sequence of events and the impact that these events had on the decision. Codes derived from the theoretical framework and review of literature were used to analyse and interpret these events. These codes were allotted to the four aspects listed in Table 3<sup>5</sup>.

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<sup>5</sup> Please see below



**Table 3 Data Analysis Structure**

<b>Literature Review Extracts</b>	<b>Review of Documentary Evidence</b>	<b>Theoretical Concepts</b>	<b>Aggregate</b>
Actors involved in Decision-Making for Convergence	Occupation of actors i.e. government bodies, professional institutes	Transnational and National Actors	Two-way classification of the actors in the decision-making process based on their occupation and their status of being national or transnational.
Networks or co-operation between actors to solve common issues	IFRS convergence discussions at several conferences, forums and other events	Transnational Policy Networks	Identify and position the actors in the transnational policy network. This identification would further enable a greater understanding of the nature of influence on the decision.
Actor priorities	Priorities / Interests shaped by Institutional Agenda of Organisations Represented by Actors	Institutional Fields such as political/ state, regulatory, trade and economic	Actor priorities were identified based on the formal role different actors played in the decision-making process. Often the official stance and priorities represented by actors were significantly influenced by the formal or informal agenda of the institutions they represented. Institutional fields were classified as national or transnational based on the decision-makers or actors that occupied these fields
Pre-existing actor relationships	Pre-existing trade and economic alliances, mutual dependence between actors	Resources Dependency/Exchange	The nature of relations between actors in the decision-making process were analysed by tracing the resource dependency/exchange relations between the institutional fields these actors represented. This also helped to understand the flow of influences on the decision and also any contradictions that might exist in the official and unofficial versions of issues regarding the convergence decision making process.

## 5. Findings

### 5.1 *Institutional Fields of Transnational Influences*

The decision-making process of IFRS convergence in India was triggered way back in 2000 through indirect and ‘soft’ influences exerted on the state by actors from different transnational institutional fields such as the United Nations Conference on Trade and Development (UNCTAD) and International Organisation of Securities Commission (IOSCO) Sydney Resolution (UNCTAD X, Conference Proceedings, 2000). In 2001, India volunteered to participate in the Financial Sector Assessment Programme (FSAP) jointly conducted by the IMF and WB to assess the stability and resilience of financial systems in member countries (MOF Report, 2013). All these forums promoted IFRS convergence.

Institutions such as the WB and IMF may be viewed as actors of developmental institutional fields at the transnational level. They interact with state and non-state actors embedded in political, economic and developmental institutional fields at the national level, working in public and private sectors as part of developmental projects. However, in the context of this study, the influence of such interactions extended into the accounting regulatory institutional fields and was not restricted to developmental institutional fields.

In response to such influences, the Government of India (GOI) in 2001 established the National Advisory Committee on Accounting Standards (NACAS) constituted of members from regulatory authorities, professional bodies and industrial associations. NACAS was also used as a platform to engage with expert opinions of all stakeholders since the accounting standards were now being framed in alignment with IFRS (ICAI Concept Paper, 2007). This is theoretically interpreted as change in the political/state institutional field at the national level in response to flow of influences from different trade and economic institutional fields at the transnational level. A government representative stated,

“Government was now beginning to get serious..... we didn’t want to be left behind in the international scenario... we wanted our own experts to first validate these standards...and this was to some extent, the result of the gradually changing global scenario...” (MCA 3).

All these interactions with actors from transnational institutional fields may be interpreted as having a normative influence on the government’s decision to constitute the NACAS. It must be noted, however, that the influence of these institutions was not coercive. A WB representative stated,

“ We are not in any way pressurising India to adopt IFRS....the process (for convergence) seems to have been initiated in an attempt to follow global trends” (WB1).

This view of the WB was also corroborated by members of the MCA and ICAI. Such interactions of the state operating from a domestic institutional field with global actors embedded in transnational institutional fields could be explained through normative and mimetic forces of institutionalism. The absence of coercive influences were expressly stated by interviewees. One representative of the MCA said,

“...all these international institutions accepted Indian GAAP at the time ...they encouraged us to use IFRS ...but were not in a position to force us” (MCA2).

To some extent, this was validated by documentary evidence on, for example, reduction in the financial resource reliance of India on institutions such as the WB and IMF (World Bank Report, 2017). The diminished influence of IFIs was noted by a representative of the MCA,

Institutions like the WB and IMF had significant influence in the pre-liberalisation phase in India. The growth of industry and the country's increasing economic and political power in the Indian sub-continent resulted in a steady decrease of the influence of these institutions (MCA 3).

The delays in the decision-making process also indicated that the state was in a position to resist global pressures to converge.

A trade and economic alliance that played a part in adding momentum to the decision-making process was India's trade relations with the EU. The EU is India's largest trading partner<sup>6</sup> as well as the largest source of its foreign direct investment (European Commission Report, 2017). The EU's mandatory adoption of IFRS in 2005 followed by European Securities and Market Authority's (ESMA) communications with the state, Indian regulatory authorities and the ICAI led to the setting of 2011 as the deadline of IFRS convergence for Indian companies listed on EU stock exchanges<sup>7</sup>. This deadline triggered India's preparations for a formal announcement of convergence. The formal announcement for IFRS convergence by 2011 was made by the ICAI in 2007, and officially notified by the state in 2008 (MCA Press Note, 2008). These initial phases of the decision-making process witnessed the flow of both direct and indirect institutional influences from transnational institutional fields. For example, while EU's mandatory adoption of IFRS was an indirect source of influence, ESMA's communications with the state and the ICAI were direct sources of influence. This could be interpreted as India being influenced by the convergence decision of a group of nation-states which is a significant trade partner and source of financial resources. The concurrence of the deadline set by the ESMA and the state adds impetus to this inference. This instance indicates that resource dependency relations between national and transnational institutional fields in the form of economic and trade alliances play a significant role in driving the decision-making process for convergence. The proceedings of the decision-making arena further demonstrate that the sources of such influences are not static and that they evolve with changing power dynamics not solely defined by financial resource dependency but also regional alliances between nation-states.

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<sup>6</sup> Trade with EU constitutes 13.5% of India's overall trade with the world in 2015-16 making EU its largest trading partner. This constitutes 2.2% of EU's overall trade with the world and ranks India as its 9<sup>th</sup> largest trading partner. EU exports to India increased from € 21.3 billion in 2005 to € 37.8 billion in 2016 (EC, 2017).

<sup>7</sup> During the period of 2003-2012, Indian companies have invested \$56 billion in Europe. During this time-period Indian companies financed 511 Greenfield projects and acquired interests in 411 companies. UK, Germany, Netherlands and Belgium are the four main countries attracting Indian corporate investors. UK attracts the major share of investments with approx. 43% of Indian corporate investments (\$ 24 billion) followed by Germany (\$ 6.9 billion). Major acquisitions include Tata Motors \$ 2.3 billion purchase of Jaguar and Land Rover and Tata Steel's \$13.3 billion acquisition of Anglo-Dutch steel maker Corus (EICC Report, 2012).

In August 2009, the MCA set up a high powered group to discuss and resolve challenges faced in the IFRS convergence project (MCA Press Note, 2009). This ‘Core Group’ was constituted of members of different stakeholder groups and was headed by the then Secretary of MCA. Some other significant transnational institutional fields that propelled the decision-making process were the US GAAP-IFRS convergence project led by Financial Accounting Standards Board (FASB) and IASB, the SEC’s permission to file IFRS compliant statements and the G-20 summit held in Pittsburgh in September 2009 as well as official convergence deadlines announced by countries such as Canada and China (ICAI Concept Paper, 2007; MCA Press Note, 2010).

So while India was not under coercion from transnational organisations, through its membership in various transnational institutional fields, it was in effect under indirect pressure to make a commitment towards full IFRS convergence.

## ***5.2 Resource Dependencies between Transnational Institutional Fields: India-Japan IFRS dialogue as a channel of impact of US delays***

The year 2010 also saw the inflow of influences from regional institutional fields of countries such as Japan into the decision-making arena of IFRS convergence in India. In 2010, a Joint Working Group consisting of members of the Core Group from India and the IFRS council of Japan was constituted, in addition to forming subgroups for joint training programmes and also for jointly representing issues to IASB (MCA Press Note, 2010). A member of the core group corroborated this information,

“We (the government) are conducting joint sessions with the government of Japan...people from (professional) accounting bodies and some other regulatory authorities are also involved from both sides...” (CG5).

Though both delegations were led by the state, actors from different institutional fields of both countries such as regulatory fields, industry and accounting profession were involved in the process. The Core group from India, led by the secretary of MCA was constituted of representatives from state bodies such as MoF and the Comptroller and Auditor General’s (CAG) office, regulatory authorities such as the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), National Stock Exchange of India Ltd (NSE) and pension and insurance regulators and professional bodies such as ICAI (MCA Press Note, 2010). However, the IFRS Council of Japan, in addition to these representatives, included representatives from the Japan Business Federation (JBF). India appears to have excluded members from industrial associations such as FICCI and CII while Japan included them for this dialogue. Although, a member from the Core group emphasised that the views of the industry had been taken into consideration.

“We had received several comment letters from industry regarding their views and issues about convergence ...we had taken those issues into consideration during discussions”

This relationship is likely to be significant because Japan is currently India’s 3<sup>rd</sup> largest source of foreign direct investment. Also India is the largest recipient of

Official Development Assistance (ODA) from Japan. Hence Japan has been providing financial assistance to India for infrastructure development projects such as the Delhi Metro Rail Project (DMRC Report, 2014). Discussing the significance of India's ties with Japan, a member of the MCA stated,

“We have a longstanding and strong relationship with Japan.....not just on issues of convergence...more important spheres of trade, technology and economic relations” (MCA 3).

In this case, the state and industry both included actors operating in trade and economic institutional fields in different capacities. For example, institutional state actors as well as private sector industry representatives such as the MCA were involved in maintaining decades of trading and donor-recipient relations with state actors of Japan through projects such as DMRC (DMRC Report, 2014). These actors belonging to different institutional fields bring with them different priorities and ideas. Thus the India-Japan IFRS dialogue is a clear example of state driven networks between transnational institutional fields that influenced the decision-making process in India.

However, the impact of this network was different from that of other transnational influences. Influences from all transnational institutional fields so far had most definitely been in favour of immediate IFRS convergence (MCA Press Note, 2009). Although there was no official evidence to prove this at the time, a senior member of the MCA revealed that the Japanese delegation was not very keen on immediate convergence,

“... their opinions were slightly different from ours...they suggested 2017 for convergence which at the time we thought was quite late.... they were not in favour of immediate convergence” (MCA1).

The reason suggested for this unofficial stance of Japan, by the MCA representative was the delay in US's decision for IFRS convergence. While the formal position of the Japanese delegation had been to engage in resolving convergence issues the informal, and it would seem, its genuine position has been to delay convergence in response to US delays:

During the formal meetings we had, the official policy of both sides focussed on immediate convergence ...we realised during informal discussions at dinners and social events that they were not very keen on immediate convergence (MCA 1).

Since US and Japan were significant trade partners (Business Accounting Council Report, 2013), the latter was in no hurry to go ahead with convergence in a situation where the US had not yet made a final decision.

This information provided by the interviewee was validated by some key events that marked the decision-making process for convergence in Japan. In 2009, a key standard-setting body of Japan, the Business Accounting Council (BAC), issued a report that allowed voluntary adoption of IFRS by listed companies starting in March 2010. The report also stated that the decision for mandatory adoption would be finalised by the end of 2012 (BAC Report, 2009). In June 2011, however, the

Minister of the Financial Services Authority (FSA) made an announcement of indefinitely postponing the decision on mandatory IFRS adoption citing reasons such as the Securities and Exchange Commission's (SEC) postponement of IFRS adoption in US, representations from Japanese industrial and trade union lobbies to postpone convergence, divergent factors in Japan's economic and legal institutional fields and finally natural disasters such as Tsunami that had hit the country (Tsunogaya, 2016).

Tsunogaya (2016, pp. 831) notes the significance of the influence of US delays on BAC stating that,

“The BAC's policies have been largely influenced by the US-SEC decisions, which postponed the adoption of IFRS in the USA (see Securities and Exchange Commission. Uncertainty remains about whether or not the USA will ultimately mandate adoption of IFRS”.

The author further states that the decision to postpone mandatory IFRS adoption in Japan was despite pressures on the BAC from the IFRS Foundation to speed up adoption as well as make financial contributions in order to maintain their position as a member of the monitoring board of IFRS Foundation. On the other hand, the study states that it is such pressure from the IFRS Foundations that “allowed” the BAC to announce voluntary adoption of IFRS in the country. This suggests that the BAC was trying to maintain a power balance between demands of actors from and global institutional fields while making decisions towards IFRS convergence.

Such evidence from the Japanese decision-making arena demonstrates the wider applicability of the debates and discussions constituting the decision-making process in India. First of all, it suggests that influences from transnational institutional fields could also have been partly responsible for delaying or supporting those who wanted to delay the IFRS convergence process, not only in India but also in other countries going through similar decision-making processes. Secondly, the actions of the BAC, a key decision-maker in the Japanese convergence process when analysed through the lens of resource dependency dynamics used in this study, reflects the power balancing acts employed by the state as a key decision-maker for convergence in India. Thirdly it represents the flow of influences between decision-making arenas of different nation states. This point is elucidated through further discussion of the ideas that were transferred and exchanged between these arenas through resource dependency relations.

A common and key feature that formed a part of the resource dependency dynamics in the decision-making processes for convergence in both India and Japan is the significant impact of US's decision to delay convergence. In seeking to understand whether Japan's stance to delay convergence had an influence on India's decision, this study relied on information provided by interviewees who were senior government officials directly participating in the decision-making process. For example, one interviewee stated off the record,

Of course we have given this (Japan's preference to delay convergence) significant consideration ....it also contributed to our decision-making process.... the reason we're conducting these joint IFRS dialogues is so that we can share ideas and strategies on the IFRS convergence decision (MCA 2).

A senior member of the ICAI also concurred stating that,

Yes of course, we do refer to convergence processes in other countries...although this may not always be stated in official statements issued...in the case of Japan, the very purpose of holding these joint meetings is to collaborate to formulate strategies of IFRS convergence (PB 5).

The information provided by the interviewee was validated by actual delays that continued to occur in the decision-making process.

In addition to this, US was indicated as one of the sources of reference in the initial stages of the decision-making process. For example, the ICAI in its concept paper states that,

Financial Accounting Standards Board (FASB) of USA and IASB are also working towards the convergence of the US GAAPs and the IFRSs. The Securities & Exchange Commission (SEC) has mooted a proposal to permit filing of IFRS-compliant financial statements without requiring presentation of a reconciliation statement between US GAAPs and IFRSs in near future. In this scenario, India being an important emerging economy in the World, is yet to adopt the IFRSs (ICAI Concept Paper, 2007).

Subsequently the delays in the IFRS convergence decision in India coincided with delays in the convergence decision in the US. Also, the Indian decision-making arena had a small segment of actors who independently and informally followed the US decision-making process and were convinced that the best strategy would be to wait till the US makes a decision on convergence. These opinions, however, were unofficial and informal. For example, an interviewee from the government stated,

“If IFRS is so good, why isn’t the US adopting it? It’s been so many years ...I am an accountant myself and my personal opinion is that US GAAP is much better and unambiguous in comparison to IFRS and that’s the reason why US has not adopted IFRS... let us wait to see what the US does ...although we are not officially obliged to follow the US” (MCA 2).

The diffusion of influences across multiple transnational and national institutional fields to give shape to convergence decisions is clearly demonstrated through such evidence. Such actors included representatives of the state, professional bodies and industry. Some of the reasons and rationales presented by these actors and their influences on the decision-making process are discussed below.

### **Significance of US Delays on the Decision-Making Process in India**

Dependence on the US economy has been quoted by a few members of the Indian industry and the MCA as a reason for India’s reluctance to go ahead with the convergence process. According to one individual member of the industry,

“...a significant percentage of Indian economy is dependent on US economy in terms of fund raising or customisation etc. maximum amount of private equity and FDI is received from the US economy via Mauritius or Cyprus route but the original source is the US economy” (IB 4).

Further explaining the situation, the interviewee states that India would not like a situation where it had implemented IFRS and the US did not converge with IFRS. Noting that US GAAP is very investor friendly, the interviewee also stated that,

“All big 50 companies in India are following US GAAP...they are preparing a second set of financial statements...” (IB 4).

Two different views of MCA representatives on this issue were interpreted from interviews. According to one view, there are several others also within the government sphere who hold his point of view that US GAAP is far more advanced and unambiguous in comparison to IFRS.

“Many people in the government also have the view that US GAAP is better...it is advanced and unambiguous unlike IFRS which is complicated and most people do not understand IFRS here...if IFRS is so advanced and efficient, then why is the US delaying convergence...” (MCA3).

Another view of MCA representatives on direct or indirect influences from US is outright denial of any such influence. For example, one representative of the MCA stated,

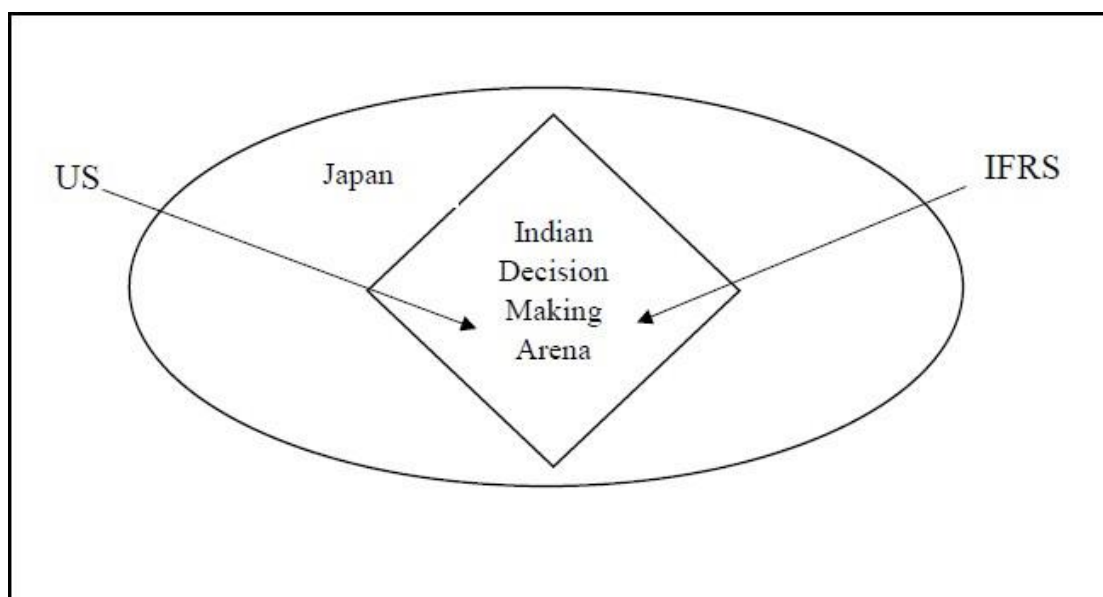
We are not obliged to follow Japan or US...as the government of India we make independent decisions....we are not influenced by industry either...we take their views into consideration but they cannot influence us (MCA3).

However, interviewees from industry and professional accounting bodies did acknowledge that India is indeed influenced by decisions of significant and economically powerful trading partners. One member of industry stated,

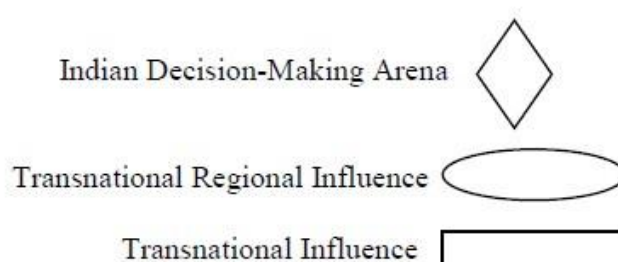
The government would always claim to be entirely independent of any influences ...however, it is impossible to believe such a thing in this era...no country makes decisions in isolation...for example, why doesn't Indian government hold convergence talks with Bhutan? Why Japan...Japan is more important to us in terms of trade etc. (IB5)

Hence, IFRS dialogues with Japan was a channel that conveyed indirect influences of US delays into India. For example, the SEC's delay in decision-making was identified as a key factor in Japan's decision to delay adopting IFRS and, by extension, it also impacted India's decision to delay convergence. This sequence of events can be interpreted as shown in Figure 2 as an instance where influence flows from the transnational to the regional and then to the local decision-making arena.





**Figure 2 Flow of Influences from US and Japan**



The arrows passing through the three regions indicate the flow of institutional influences from the US through Japan to the Indian decision-making arena for IFRS convergence. In addition, the flow of institutional influences between regulatory institutional fields in the US and India could also be interpreted as two- way. At a national conference of the American Institute of CPAs (AICPA) in 2010, while discussing the US approach to integrating IFRS with US GAAP, SEC's Deputy Chief Accountant, Paul Beswick stated,

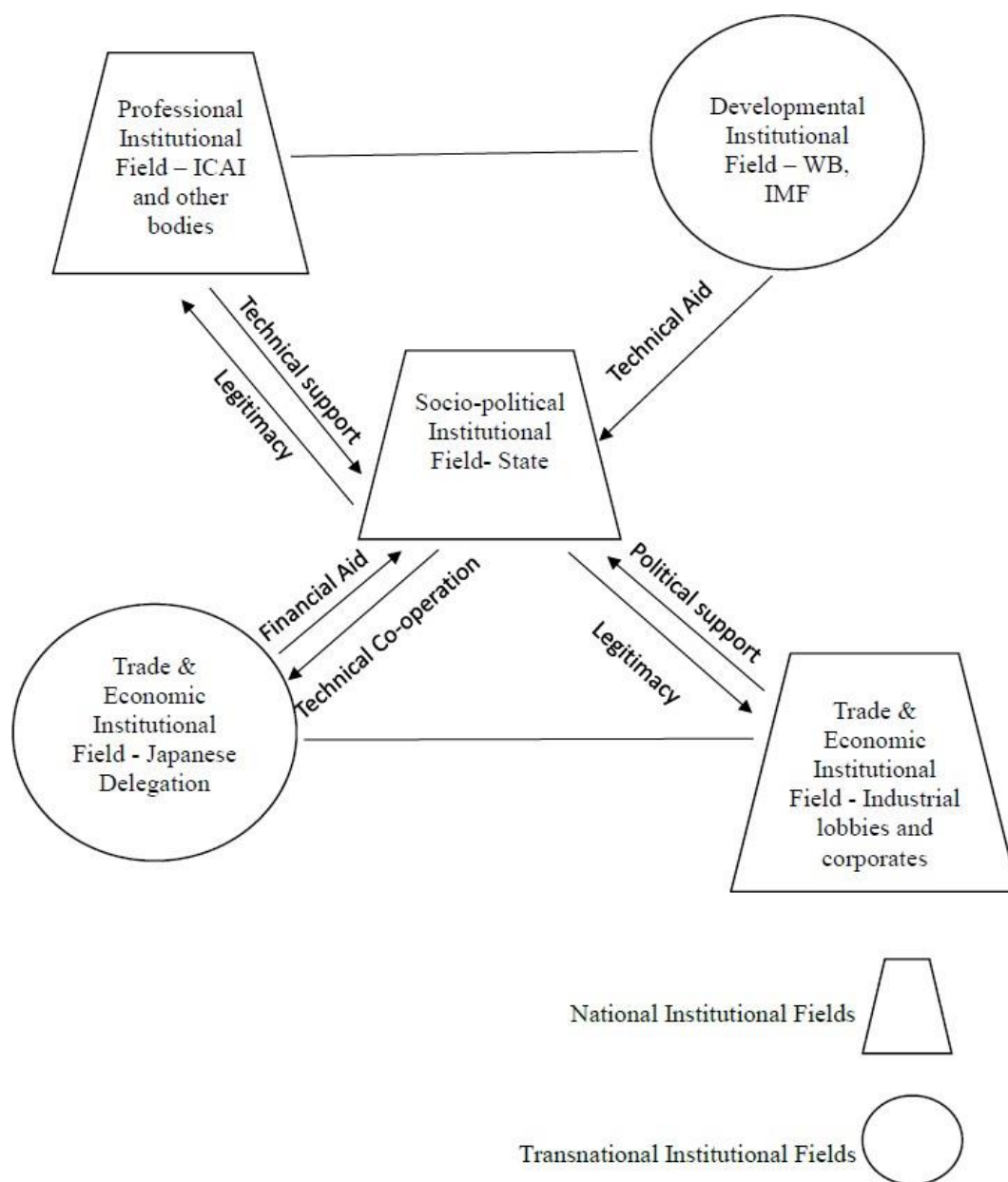
To give you an example, India is set to move to IFRS in 2011. However, they describe their approach as a convergence approach to IFRS and have indicated that they may not fully adopt IFRS if they believe an exception is warranted... the majority of jurisdictions are either following a convergence or endorsement approach. If the US were to move to IFRS, I will call it a 'condorsement' approach. (Whitehouse, 2011)

This statement demonstrates how the decision of the US on IFRS convergence was being informed by the experience of convergence projects in other countries, including India. Such examples of transnational references in the context of national decision-making of different countries further emphasises the exchange of influences between global, regional and local institutional fields.

The evidence from the India-Japan IFRS dialogue and the opinions of government representatives quoted above suggest that delays in the IFRS convergence decision-making process in the US have influenced the decision-making process in India in a dual manner. Firstly, through dependence of domestic institutional fields on trade and economic institutional fields in Japan and secondly through the alliance of institutional fields within the Indian and US economies. In both contexts, the US acts as a significant source of indirect and direct influence. Analysing the nature of the relationships between these institutional fields indicates that exchange of resources is an important aspect defining the relationship and hence acting as the cause of flow of influence. The relationships between the actors and their medium of influences will be discussed in detail in the next section. Hence these were some influences from the transnational institutional sphere that indirectly provided support to the rising local resistance to the convergence process in India.

### **5.3 Resource Dependencies between National and Transnational Institutional Fields: Role of State as the Key Decision-Maker**

Since the state is the key official decision-maker in the convergence decision, a brief analysis of the nature of relationships between the state and few main actors in the decision-making arena is presented below:



**Figure 3 Influence of Resource Exchanges/Dependency Relations between Transnational and Local Institutional Fields**

Figure 3 shows the resource dependencies between transnational and local institutional fields of the network that drove the convergence decision-making process in India, focusing on the state as the official decision-maker.

While discussing the state's resource exchange relations with industry, interviewees stated that corporates provide political support to the ruling party as well as other political parties. As a member from industry stated,

Of course, there are links between government and industry.....our industry is powerful now unlike pre-liberalisation era when government could dictate everything...corporates provide large amounts of funds for election campaigns.....and they certainly don't do that for charity... (IB4).

As shown in Figure 2, the Indian government has resource exchange relationships with professional bodies, industrial lobbies and the Japanese delegation and it holds a resource dependency relationship with IFIs in the decision-making arena. In each case the resources are different. In the first case, the government provides legitimacy and authority to the ICAI and the ICAI provides technical support and knowledge regarding standard-setting. The ICAI, although autonomous to a great extent, still exists under the supervision of the central government. The standards issued by the ICAI become mandatory only when authorised and announced by the government. In 1999 the GOI constituted the NACAS, an advisory body on accounting standards under the Companies (Amendment) Act 1999 (Das and Pramanik, 2009; MCA Press Note, 2009). NACAS is also composed of members from professional bodies such as the ICAI. The ICAI's resistance to full adoption of IFRS due to legal and economic factors in India is also interpreted to be an internal institutional response that acted as a significant channel of technical and regulatory resistance at the local level. Between the government and IFIs, there exists a clear case of resource dependency – both financial and technical. The State Financial Accountability Assessment (SFAA) reports prepared by the WB and addressed to various provincial governments could be cited as an example of inflow of technical resource from IFIs (SFAA Report 2004; World Bank Report, 2004; World Bank Report, 2017).

However, as illustrated in figure 2, the resource dependency relations of the state with other actors from both local and transnational regional institutional fields tone down or dilute the intensity of IFI's influence over the decision-making process.

## 6. Discussion

This study has found that India's move towards convergence involved power-balancing flows of significant influences from actors embedded in multiple institutional fields in the decision-making arena rather than being solely influenced by IFI's, as was observed in the convergence process of Bangladesh (Mir & Rahman, 2005).

The India-Japan IFRS dialogue was an important transnational network in the decision-making process for India. This transnational influence was different from others as it supported resistance to immediate convergence at the local level due to Japan's unofficial stance to delay convergence. Nevertheless, despite this preference for delay being well known to India, or possibly because of it, the official Indian view was that Indo-Japan dialogue was perceived as being an effort to speed up the convergence decision. The political institutional fields of Indian and Japan could also be viewed as having a resource exchange/dependency relationship because of the ODA recipient status of India with Japan. The India- Japan IFRS dialogue can be viewed as a forum of technical knowledge sharing. In addition to the donor-recipient relations between Japan and India, significant trade relations between Japan and US and the international operations of major Indian industries also acted as sources of influence; as also did the SEC's decision to delay IFRS convergence. The outcome of these influences was that, as discussed earlier, all major Indian companies have been preparing financial reports according to US GAAP, in addition to the reports based on the previous Indian accounting standards.

Figures 2 and 3 presented in Section 5 show that the flow of institutional influence is determined by subtle power dynamics that are balanced on the resource dependence or exchange relations between actors in the decision-making arena. There is a power imbalance amongst actors in the arena that results in the flow of influence (Rodrigues & Craig, 2007). The theoretical constructs of power imbalance arising due to resources such as knowledge (Rodrigues & Craig, 2007) and mutual dependence (Casciaro & Piskorski, 2005) lead to the inference that power imbalance in this context is determined by the mutual dependence of actors. Mutual dependence in the convergence decision translates into resource exchanges and resource dependence between global, regional and national actors.

The type and nature of dependence or exchange of resources in an institutional field could place one actor in a relatively more powerful position than the other (Rodrigues & Craig, 2007; Chua & Taylor, 2008). For instance, the power balance between the state on one hand and on the other hand actors such as industries and Japan seems to be heavily tilted towards the latter due to substantial resource dependence relationship with both Japan and industries. However, it should be noted that while Japan has been quite forthright in citing US delays as one of the factors influencing the Japanese convergence decision, the official stance of the Indian government has been to insist that the convergence decision is independent of such influences. These findings demonstrate the manner in which socio-political and economic factors play a role in convergence decisions (Chua & Taylor, 2008).

Despite claims of independent decision-making by the state, the power equation between the political and economic institutional fields within the country (Rodrigues & Craig, 2007; Chua & Taylor, 2008), for example, could be inferred from newspaper articles on heavy funding of political campaigns by powerful corporate houses. This was also demonstrated by the change in the stance of the state over time. While the state was initially keen to go ahead with convergence ideas initiated by IFIs and other global forums, the entry of industry and Japanese delegation into the decision-making arena as well as ICAI's resistance to certain IFRS due to legal and economic conditions in India, seemed to have altered the stance of the state. Influences from the trade and economic institutional fields of the US that managed to permeate into the decision-making processes through indirect mediums partly contributed to the repeated delays in the convergence process.

Analysing these relationships in terms of resource dependencies/ exchanges between national and transnational institutional fields provides a better explanation for the power dynamics observed in the global policy networks that constitute the decision-making arena. The resource exchanges and dependencies presented in Figure 2 could be interpreted as the sources that provide an influential position to certain actors and place others in a position to be influenced.

## **7. Conclusion**

Extant literature on global accounting convergence rarely examines the decision-making process for accounting standards convergence as being influenced by traditional cross-country economic relationships. This study contributes to the literature by emphasising the importance of nation states in the transnational accounting regulation arena by portraying the decision making process as being

significantly influenced by the convergence decisions made by other nation states which are traditional economic and trade partners. Different types of resource dependency relations between the actors embedded in multiple institutional fields of the transnational policy network driving the decision-making process play a key role in shaping the decision-making process. An example of such key influences on the decision-making in India was the impact of US delays on the decision to converge with IFRS. This demonstrates that while powerful transnational organisations actively promote convergence, nation states play a key role in counter-balancing the effects of such promotion. This is achieved by exchange of influences through traditional trade and economic ties between nation states as well as successfully countering pressure from transnational bodies promoting full convergence. Local resistance to such pressure was channelled through industrial lobbying as well as ICAI's stance on the need to create carve-outs for certain IFRS to suit the legal and economic environment in the country. India's ties with other nation states such as US and Japan on the convergence decision-making process highlights the significant roles of cross-governmental relationships within the global accounting regulation arena and also questions the portrayal of transnational organisations as unchallenged powers in such regulatory spaces.

This study provides an analytical framework that could be adapted to investigate the convergence decision-making process of other countries. It identifies the flow of transnational and national influences in the context of resource dependencies and ensuing power imbalances between actors in the decision-making arena. The framework facilitates the narration of the convergence decision as a story that rationalises the links between global and local actors that actually drive the decision-making process. Analysing the resource dependency/ exchange relations through trade and economic alliances between these actors help to understand underlying power imbalances. This demonstrates that power equations between actors significantly shape the decision-making process. It helps to present the evidence for the initiation and growth of the decision-making process as constituted of meaningful and logically consequential communications and developments rather than isolated and random events. In this context the study provides an analytical platform which could facilitate further investigation of convergence as a process.

The study makes the following contributions to accounting policy, practice and academia. Firstly, it provides insights into the deliberations and negotiations between state and non-state policy makers at both transnational and national levels. It demonstrates why and how accounting policy choices are determined by key policy-makers, specifically focusing on the significance of geo-political alliances in driving such decisions in the context of a developing country. The findings of the study contribute to literature that challenges the notion of a 'harmonised' set of accounting standards leading to convergence of accounting practices by unraveling the disparities in rhetoric and reasons for convergence provided by key decision-makers. Secondly, it illustrates the evolution of national accounting practices in a country driven by efforts to converge national accounting standards with IFRS. It traces institutional influences of legislative, economic and geo-political dynamics on national accounting practices and demonstrates how such influences shape decisions that determine accounting practices in a developing country.

Finally, the study makes a significant contribution to extant literature by delving deep into the decision-making process for convergence specifically focusing on the role of transnational trade and economic alliances between nation-states vis-à-vis the role of powerful transnational organisations such as IFIs which are traditionally perceived as all pervasive powerful influencers in accounting convergence decisions. The study also questions the plausibility of achieving accounting standards 'harmonization', let alone harmonization of accounting practices, as intended by the IASB given the diverse agendas of decision-makers operating from multiple institutional fields.

In terms of future scope for research, investigating convergence with international accounting standards as an extension and consequence of the decision-making process would provide a fuller and more comprehensive picture of the convergence process. The findings of studies that examine the hurdles to implementation and compliance issues could be further investigated in the light of the events that took place before the decision was made and as a continuation of those events. It would be interesting and informative to explore the networks and people involved at the post implementation stage and the manner in which their presence or absence plays a role in the development and execution of the implementation process.

## APPENDIX 1 – INTERVIEW DETAILS

\* Core Group (CG) – group constituted of key national decision-makers

\* Ministry of Corporate Affairs – MCA

\* Ministry of Finance – MoF

\* Professional Body – PB – Members of Accounting Body

\*Industrial Body – Members of Industrial associations and corporate entities.

\*World Bank – WB

<b>Interviewee Code</b>	<b>Position</b>	<b>Type of interview</b>	<b>Location</b>	<b>Date</b>	<b>Length of Interviews</b>
1. CG 1	Member of Core Group*	Face to face & Telephone	New Delhi	April 2013	1 hour 25 minutes
2.CG 2	Member of Core Group	Face to face	New Delhi	April 2013	1 hour
3.CG 3	Member of Core Group	Face to face	New Delhi	April 2013	1 hour 10 minutes
4.CG4	Member of Core Group	Face to face & Telephone	New Delhi	May 2014	1 hour
5.CG5	Member of Core Group	Face to face	New Delhi	April 2013	1 hour 30 minutes
6.MCA1	Member of MCA	Face to face	New Delhi	April 2013	50 minutes
7.MCA2	Member of MCA	Face to face & Telephone	New Delhi	April 2013	1 hour
8.MCA3	Member of MCA	Face to face	New Delhi	April 2013	1 hour
9.MOF1	Member of MOF	Face to face	New Delhi	April 2013	55 minutes
10.MOF2	Member of MOF	Face to face	New Delhi	April 2013	50 minutes
11.MOF3	Member of MOF	Face to face	New Delhi	April 2013	45 minutes
12.PB1	Accounting body Member	Face to face	New Delhi	July 2012	1 hour 30 minutes
13.PB2	Accounting body Member	Face to face	New Delhi	July 2012	1 hour 20 minutes
14.PB3	Accounting	Face to face	Tamil	July	1 hour 30



	body Member	& Skype	Nadu	2012	minutes
15.PB4	Accounting body Member	Face to face	New Delhi		2 hours
16.PB5	Accounting body Member	Face to face Skype	New Delhi	July 2012, May 2014, May 2015	3 hours 30 minutes
17.PB6	Accounting body Member	Telephone	New Delhi		1 hour
18.PB7	Accounting body Member	Telephone	Kerala, India	May 2012	2 hours
19.PB8	Accounting body Member	Telephone	New Delhi	July 2012	1 hour
20.IB 1	Member of Industrial Association	Face to face	New Delhi	July 2012	2 hours
21.IB2	Member of Industrial Association	Face to face	New Delhi	April 2013	2 hours
22.IB 3	Member of Industrial Group	Face to face	New Delhi	April 2013	1 hour
23.IB 4	Member of Industrial Group	Face to face	New Delhi	July 2012	1 hour 30 minutes
24.IB 5	Member of Industrial Group	Face to face & Telephone	New Delhi	July 2012, May 2013	2 hours 30 minutes
25. WB1	Member of WB	Telephone	New Delhi	January 2013	1 hour

## APPENDIX 2 – CLASSIFICATION OF DOCUMENTS ANALYSED

Documents Issued by	Examples of Documents
Government	Reports, Press Releases, Press Notes, General Notifications
Professional Bodies	Reports, President's Annual Message, Commentary letters, Exposure drafts, website material
Public practice accountancy firms	Reports by KPMG, PWC, Deloitte
Regulatory Bodies	Reports by SEBI, ESMA, website materials
Professional and Business Media outlets	The Business Standard The Hindu The Business Line

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